

SECRET

SAPC - 25255

Copy 2 of 5

12 March 1958

Westinghouse Electric Corporation
 Friendship International Airport
 Baltimore, Maryland

Attention:

Subject: Contract No. FL-3011, Appendix II

Gentlemen:

Our auditor has made a review of the price redetermination proposal submitted in your letter of 3 October 1957 for Item 1 of Appendix II which was terminated as of 31 August 1957.

Your proposal and our offer for performance of Item No.1 of Appendix II are summarized below:

	<u>Proposed Costs</u>	<u>Accepted Costs</u>
Profit	\$73,253.00	\$ 70,189.00
	<u>5,128.00</u>	<u>4,913.23</u>
Total	\$78,381.00	\$ 75,102.23

A total of \$3,064.00 in costs were questioned and are explained below:

Costs which Contractor acknowledges as pertaining to Item 2 and wishes to withdraw from this proposal -	\$ 847.00
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Applicable general and administrative expense -	<u>144.00</u>
	\$ 991.00

General and administrative expense applicable to accepted costs:

Difference between proposed rate of 17% and auditor's 1956 rate of 12%, or 5% x 1956 costs of \$27,920.00 - \$1,396.

Difference between proposed rate of 17% and auditor's 1957 rate of 15% or 2% x 1957 costs of \$33,842.00	<u>677.00</u>	<u>\$2,073.00</u>	<u>3,064.00</u>
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The General and Administrative proposed rate of 15% is explained in our letter dated 4 March 1958 (24872) to you regarding redetermination of other items under Contract FL-3011.

If you concur with our findings and are willing to accept our offer of \$75,102.23 as the final price for Item 1 of Appendix II of Contract FL-3011 please advise and we will issue an Amendment to the contract.

In the event you do not agree with the proposed redetermined price we would appreciate your detailed written reply setting forth the costs and your reasons as to why you feel said costs should be allowed.

If our proposed final price of \$75,102.23 is not accepted the offered profit in the amount of \$4912.23 will be retracted and the final amount will be subject to further consideration and negotiation.

Very truly yours,



Contracting Officer

PS/DCI:HL:pf

Distribution:

Orig -  Westinghouse

- ✓ 2 - FL-3011 EQUINE (Prop.Sec.) w/cy 1 of SAPC-25163
- 3 - Proj. Fin. w/cy 2 of SAPC-25163
- 4 - Audit Folder
- 5 - Proj. Chrono



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D. C.

#95

SANC 25163
COPY 1 OF 2

REPLY TO:

Auditor General
Comptroller, USAF
Hq Western District
1206 Maple Avenue (Room 916)
Los Angeles 15, California

25 February 1958

SUBJECT: Accounting Review of Redetermination Proposal covering
Item 1 under Appendix II - Contract FL 3011
Westinghouse Electric Corporation
Baltimore, Maryland

TO: Contracting Officer

REF: Letter of 5 September 1957, No. 19086

1. Review has been made of redetermination proposal submitted by the contractor in letter dated 3 October 1957, for Item 1 of Appendix II, which was terminated as of 31 August 1957.

2. The results of the review of the proposed costs are set forth in the following recommendations:

For Acceptance

\$ 70,189.00

For Non-Acceptance

Costs which contractor acknowledges
as pertaining to Item 2 and wishes
to withdraw from this proposal -

\$ 847.00

Applicable general and administrative
expense -

144.00
\$ 991.00

General and administrative expense
applicable to accepted costs:

Difference between proposed rate
of 17% and auditor's 1956 rate of
12%, or 5% x 1956 costs of
\$27,920.00 -

\$ 1,396.00

Difference between proposed rate of
17% and auditor's 1957 rate of 15%
or 2% x 1957 costs of \$33,842.00 -

677.00 2,073.00 3,064.00

Amount of contractor's proposal before adding fee:

\$ 73,253.00

Ltr, subj: Acct Review of Redetermination Proposal Cov Item 1 u/App II -
Contr FL 3011, Westinghouse Elec Corp., 25 Feb 58 - (cont'd)

The auditor's determination of acceptable general and administrative expense is described in price redetermination audit report on Contract Items 7, 10, 11, 12, 13, 14, and 15.

3. The contractor's claim does not show that progress payment billing was made on Public Voucher No. 18 in the amount of \$ 73,500.00 (7 months - July 1956 through January 1957 at \$ 10,500.00 per month). Credit has been properly effected on the books and in the proposal for advances of \$ 3,791.00 made by the customer to contractor personnel.

4. Item 2 of Appendix II:

a. Costs of Item 2, which are to be reimbursed at actual cost only without application of G&A and fee, are not included in subject proposal. Since these costs were contained in the same cost ledger accounts as Item 1, they were of necessity reviewed simultaneously. The results of the review are set forth for the information of the contracting officer:

Costs considered acceptable:

Transportation (including \$ 847.00 item referred to in paragraph 2)	\$ 3,043.00
Differential	<u>1,380.00</u>
Total	<u>\$ 4,423.00</u>

b. Of this amount, billing was made in Public Voucher No. 18 for transportation in the amount of \$ 1,993.00.

Project Supervisor
Western District
Auditor General

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SAPC - 23795
Copy 2 of 4

24 January 1958

Dear Henry:

Our letter 19086 dated 5 September 1957, requested comments regarding redetermination proposal for Items 7, 10, 11, 12, 13, 14 and 15 of Contract No. FL-3011. Also, your comments were requested for Item 16 and Item 1 of APPENDIX II if the Contractor's records were in order to reflect costs even though his proposal had not been submitted but was due.

Enclosed is a copy of each of his letters dated October 3 and December 3, 1957, regarding Item 16 and APPENDIX II. If these latter two were not audited, please consider this as your formal request to proceed.

Very truly yours,

Dan

PS/DCI:HL:pf

Distribution:

- Orig - [] w/cy 3 of SAPC-20120 & 22408
✓ 2 - EQUINE, FL-3011, (Prop. Sec.) w/cy 1 of SAPC-20120 & 22408
3 - Proj. Finance w/cy 2 of " "
4 - Proj. Chrono

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Westinghouse

ELECTRIC CORPORATION



October 3, 1957

PHONE: LINTHICUM 1000
FRIENDSHIP INT'L AIRPORT
BOX 746, BALTIMORE 3, MD.

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Attention:

Subject: Contract FL-3011- Redetermination Proposal,
Covering Item 1 under Appendix II

Enclosure (1): Redetermination Proposal for Item 1, Appendix II

By Amendment No. 7 to Contract FL-3011 a base date of June 30, 1957 was established for the redetermination of Contract Item 1 under Appendix II thereof. Subsequently, by termination notice, the base date of Item 1 was changed to August 31, 1957.

For information purposes it is noted that all work under both Items, 1 and 2 of Appendix II, have been terminated as of August 31, 1957. As you know, Item 2 is a fixed price item and thus, it is not included under the subject proposal. With respect to Item 1, however, this proposal includes all costs expended in the performance of that item.

A review of Enclosure (1) will show that we have included a small amount of dollars as Estimate to Complete after the base date of August 31, 1957. In view of the termination date of August 31, 1957, it is noted that these Estimate to Complete dollars represent costs actually incurred prior to the effective date of termination which were not posted on our books until after that date. Furthermore, it will be noted that the most significant item of cost shown on Enclosure (1) is captioned, "Engineering Material", whereas the subject proposal is concerned with field services and field maintenance. This is occasioned by the fact that under the subject proposal the costs of the Engineering and Services Department, Baltimore are handled as a purchased item by the Air Arm Engineering Department. Organizationally, the Engineering and Service Department, Baltimore is separate and distinct from the Air Arm Division.

Inasmuch as your Auditor is currently working at our plant on another proposal, we have submitted directly to him a copy of the subject proposal.

YOU CAN BE SURE... IF IT'S Westinghouse

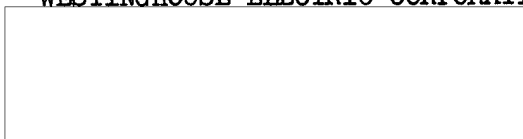
-2-

October 3, 1957

If any further information is desired, we will be pleased to furnish it upon request, and to arrange a conference at your convenience to establish final prices for the contract items covered by this proposal.

Very truly yours,

WESTINGHOUSE ELECTRIC CORPORATION



Contract Administration
Air Arm Division

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COPY 1 OF 3

Westinghouse Electric Corporation
Air Arm Division
P.O. Box 746
Baltimore 3, Maryland

Redetermination Proposal Covering
Item 1 under Appendix II

Contract FL-3011 (AAD-30243)

Enclosure (1)

	Cost Incurred To 8/31/57	Estimate To Complete	Total
Customer Order Development			
Engineering Labor	999	---	999
Engineering Material	61,247	363	61,610
B. TOTAL Customer Order Development	62,246	363	62,609
C. General and Administrative Expense 17%	10,582	62	10,644
D. Total Cost (Total of B&C)	72,828	425	73,253
Fixed Fee 7%	5,098	30	5,128
F. Selling Price	77,926	455	78,381

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/s/

anager of Sales

Manager of
Accounting